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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In re Applications of) MM DOCKET NO. 93-75
)
TRINITY BROADCASTING OF)
FLORIDA, INC.) File No. BRCT-911001LY
)
For Renewal of License of)
Station WHFT(TV) (Channel 45),)
Miami, Florida)
)
GLENDAL E BROADCASTING COMPANY) File No. BPCT-911227KE
)
For a Construction Permit for)
a New TV Station on Channel 45)
at Miami, Florida)

To: Administrative Law Judge
Joseph Chachkin

MASS MEDIA BUREAU'S
PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

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Summary

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This is a proceeding to determine whether the application of Trinity Broadcasting of Florida, Inc. ("TBF"), for renewal of license of Station WHFT(TV), Channel 45, Miami, Florida, should be renewed over the competing application of Glendale Broadcasting Company ("Glendale") for a construction permit for a new commercial television station on the same channel.

Based upon the evidence adduced at hearing, the Mass Media Bureau concludes that TBF's parent company, Trinity Broadcasting Network ("TBN"), and its president, Paul Crouch, exercised *de facto* control over National Minority T.V., Inc. ("NMTV"), a Commission licensee. TBN and Paul Crouch exercised *de facto* control over NMTV by dominating, among other things, all material aspects of NMTV's finances, programming, and personnel.

The Mass Media Bureau also concludes that TBN, NMTV and Paul Crouch abused the Commission's processes by using NMTV to evade the multiple ownership restrictions. Section 73.3555 of the Commission's Rules generally prohibits a person from holding a cognizable interest in more than 12 full power commercial television stations. However, a person may hold a cognizable interest in up to 14 full power commercial television stations if at least two of them are owned *and* controlled by minorities. Although a majority of NMTV's board of directors consisted of minorities, NMTV was not controlled by them.

Rather, as stated above, NMTV was controlled by TBN and Paul Crouch. Since NMTV did not qualify as a minority owned and controlled company under Section 73.3555, and NMTV's applications to acquire full-power commercial televisions in Odessa, Texas, Portland, Oregon, and Wilmington, Delaware gave or would have given Paul Crouch a cognizable interest in more than 12 full power commercial televisions stations, TBN, NMTV and Paul Crouch must be deemed to have abused the Commission's processes. The requisite abusive intent can be inferred from the wholly unreasonable interpretation given by TBN, Paul Crouch and NMTV to the Commission's rule.

The Bureau concludes that TBN, NMTV, and Paul Crouch did not abuse the Commission's processes by using NMTV, a non-stock corporation, to claim minority preferences in its low power television and television translator ("LPTV") applications. Section 1.1601, et seq., of the Commission's Rules permits a non-stock corporate applicant to claim a minority preference in LPTV applications if a majority of its governing board consists of minorities. Since a majority of NMTV's board of directors during all relevant times consisted of minorities, and Section 1.1601, et seq., provides for minority preferences solely on the basis of the makeup of a non-stock corporation's governing board, it was not an abuse of the Commission's processes for NMTV to claim minority preferences in its LPTV applications.

Although the transgressions committed by TBN, NMTV and Paul Crouch are serious, they do not render *TBF* unqualified to be a Commission licensee because of the existence of

certain mitigating factors. Specifically, the evidence does not support a conclusion that Paul Crouch, TBN, or NMTV intended to deceive the Commission. In addition, Paul Crouch has reduced his cognizable broadcast interests to a level which is in compliance with Section 73.3555. The evidence supports the award of a renewal expectancy to TBF for its operation of WHFT(TV) during the most recent license term. Accordingly, the Bureau recommends that the Presiding Judge grant TBF's application for renewal of license of WHFT(TV), Miami, Florida. However, the Presiding Judge should impose forfeitures of \$250,000 against TBN and NMTV (for a total of \$500,000) for the willful and repeated violations of Sections 73.3555 of the Commission's Rules and 310(d) of the Communications Act of 1934, as amended.

The Bureau concludes that Raystay Company, an entity controlled by Glendale principal George Gardner, made multiple misrepresentations to the Commission in each of eight different applications for extension of time within which to construct LPTV stations in Lancaster and Lebanon, Pennsylvania. The evidence also reveals that Raystay Company made misrepresentations in an application for consent to the assignment of construction permit for an LPTV station in Red Lion/York, Pennsylvania.

Although the misrepresentations in Raystay's assignment application do not impugn Glendale's qualifications in the instant proceeding, the Bureau concludes that Glendale is basically unqualified to be a Commission licensee as a consequence of the misrepresentations in Raystay's extension applications. George Gardner, who controls Glendale, was directly

responsible for, and played a material role, in the misrepresentations in Raystay's extension applications. Furthermore, the misrepresentations were deliberate and repeated. Based on George Gardner's demonstrated pattern of misconduct, the Mass Media Bureau is unable to conclude that George Gardner, and as a consequence Glendale, can be trusted to deal truthfully with the Commission. Accordingly, the Bureau recommends that the Presiding Judge deny Glendale's captioned application for a construction permit for a new full power commercial television station on Channel 45 in Miami, Florida.

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I. Glossary

Trinity Issues

Aguilar, Rev. Phillip . . .	Officer and Director of NMTV, 1990-1993.
All American TV, Inc. . .	Program affiliate of TBN.
Brown, Allan	Officer of TBN.
Brown, Ruth	TBN's Director of Personnel.
Casoria, John	TBN Director of Finance (1983) and Director of Community Educational Television, Inc.
Community Brace, Inc. . .	Company in which NMTV director E.V. Hill has an interest.
Community Educational Television, Inc.	Trinity-related broadcasting company of which Jane Duff and Paul Crouch are officers and directors.
Concord, California	Community of license of a full-power TV station that NMTV considered acquiring.
Crouch, Phillip A.	Brother of Paul Crouch.
Crouch, Matthew	Son of Paul Crouch.
Crouch, Janice W.	Wife of Paul Crouch.
Crouch, Paul F.	President and Director of TBN and NMTV.
Duff, P. Jane	Officer and Director of NMTV; Administrative Assistant to Paul Crouch at TBN; Officer and Director of TBN, 1979-1984.
Dunne, Esq., Joseph E. . .	Communications lawyer at May & Dunne; previously at Gammon & Grange.
Espinoza, Phillip David	Officer and Director of NMTV, 1980-1990.
Felicidad	Former TBN program hosted by Phillip David Espinoza.

Fountain, Mark Chief Engineer at NMTV's Portland, Oregon, TV station.

Gammon & Grange Law firm that formerly represented TBN before the FCC.

Goodrich, Goodyear &
Hinds Certified Public Accounts for TBN.

Hickey, Terrence Officer of TBN and NMTV; Administrative Assistant to Paul Crouch at TBN.

Hill, Rev. E.V. Officer and Director of NMTV, 1991- present.

Horvath, George George Sebastian's successor as TBN's Low Power Coordinator/Director.

Huffman & Co. Certified Public Accountants for TBN.

International Panorama
TV, Inc. TBN wholly-owned company that held license for Station KTBN-TV, Santa Ana, California.

Joy In The Morning
("Joy") TBN program hosted by James McClellan.

Juggert, Esq., Norman G. Officer and director of TBN.

Juggert & Wayman California law firm of which Norman Juggert is a partner.

Main Hurdman Certified Public Accountants for TBN.

May, Esq., Colby M. Communications lawyer at May & Dunne; previously with Gammon & Grange.

May, Dunne & Gay Predecessor of May & Dunne.

May & Dunne Law firm that represents TBN and NMTV before the FCC; successor to May, Dunne & Gay.

McClellan, James General Manager of NMTV's Portland, Oregon, TV station.

Miller, W. Benton
("Ben") TBN's Chief Engineer.

National Minority
T.V., Inc. ("NMTV") . . . Successor to Translator TV, Inc.

Oceania Broadcasting
Network, Inc. Program affiliate of TBN.

Odessa, Texas Community of license of NMTV's first full power
commercial TV station.

Osborn, Dale Station Manager for TBN's Canton, Ohio, TV station.

Phipps, William G. TBN's Director of Finance, 1980-81.

Portland, Oregon Community of license of NMTV's second full power
commercial TV station.

Praise The Lord Name of TBN's monthly publication and of a TBN program.

Prime Time Christian
Broadcasting Program affiliate of TBN; acquired Odessa, Texas, TV station
from NMTV, 1991.

Radiant Life
Ministries, Inc. Program affiliate of TBN

Ramirez, Armando Officer and director of NMTV.

Roever, Alfred H. Assigned Odessa, Texas, TV construction permit to Translator
TV, Inc.

Roever, Dave Alfred Roever's brother and TBN program host.

Sebastian, George D. . . . TBN's Low Power Coordinator/Director.

Set Free Christian
Fellowship, Inc. Company run by Phillip Aguilar to provide housing for the
indigent.

Sonlight Broadcasting
Systems, Inc. Program affiliate of TBN.

St. John Clerke, Patricia . . Assistant to Ben Miller in TBN's Engineering Department.

Translator TV, Inc. Predecessor of NMTV.

Tri-State Christian TV . . . Program affiliate of TBN.

Trinity Broadcasting
of Denver, Inc. Trinity-related broadcasting company.

Trinity Broadcasting
of New York, Inc. . . . Trinity-related broadcasting company.

Trinity Broadcasting
of Seattle, Inc. Trinity-related broadcasting company.

Trinity Broadcasting
of Washington, Inc. . . . Trinity-related broadcasting company and successor of Trinity
Broadcasting of Seattle, Inc.

Trinity Broadcasting
of Indiana, Inc. Trinity-related broadcasting company.

Trinity Broadcasting
of Texas, Inc. Trinity-related broadcasting company.

Trinity Broadcasting
of Oklahoma City, Inc. . . Trinity-related broadcasting company.

Trinity Broadcasting
of Arizona, Inc. Trinity-related broadcasting company.

Trinity Broadcasting
of Florida, Inc. Trinity-related broadcasting company.

Trinity Towers, Inc. Trinity-related company (non-broadcast).

Wilmington, Delaware . . . Community of license of WTGI(TV), a station that NMTV
considered acquiring.

Glendale Issues

Alternatives Virginia Company owned by R.L. Fenstermacher.

Berfield, Esq., Morton L. . . . Communications lawyer at Cohen & Berfield.

Carlisle, Pennsylvania Location of Raystay's operating LPTV Station W40AF.

Cohen & Berfield Law firm that represented Raystay Co.

Cohen, Esq., Lewis I. Communications lawyer at Cohen & Berfield.

Etsell, Harold Employee of Raystay Co.

Fenstermacher, R.L. Owner of Alternatives Virginia.

Gardner, George F. President of Glendale, Raystay, and Waymaker companies.

Gardner, David A. Son of George A. Gardner.

Grolman, Dennis Owner of Grosat Broadcasting, Inc.

Grosat Broadcasting,
Inc. Acquired Red Lion, Pennsylvania, LPTV construction permit
from Raystay.

Hoover, R.L. Consulting Engineer.

Lancaster, Pennsylvania Proposed community of license of two of Raystay's LPTV
stations.

Lebanon, Pennsylvania Proposed community of license of two of Raystay's LPTV
stations.

Barry L. March General Manager of the Quality Inn Hotel in Lebanon, PA.

Quality Family
Companies Company owned by R.L. Fenstermacher.

Quality Inn Hotel Proposed location in Lebanon, Pennsylvania, of two of
Raystay's LPTV stations.

Raystay Co. Company owned by George A. Gardner.

Ready Mixed Concrete
Company Proposed location in Lancaster, Pennsylvania, of two of
Raystay's LPTV stations.

Red Lion, Pennsylvania Location of one of Raystay's five unbuilt LPTV stations.

Rick, Edward Owner of Ready Mixed Concrete Company in Lancaster, PA.

Riley, Thomas J. TBN contract engineer.

Sandifer, Lee H. Chief Financial Officer of Raystay Co.

Waymaker Company Company owned by George Gardner; provides management services for Raystay.

II. Preliminary Statement

1. By Hearing Designation Order, 8 FCC Rcd 2475 (1993) ("HDO"), the Commission designated the above-captioned applications of Trinity Broadcasting of Florida, Inc. ("TBF") and Glendale Broadcasting Company ("Glendale") for hearing in a comparative proceeding. The applications are mutually exclusive because Glendale proposes to construct a new, full-power commercial television station on the same channel in Miami, Florida, on which TBF is presently operating a full-power commercial television station.

2. The HDO, at ¶ 48, specified the following issues:

(a) To determine whether Paul F. Crouch, Trinity Christian Center of Santa Ana, Inc., d/b/a Trinity Broadcasting Network (TBN) or its affiliates exercised *de facto* control over National Minority TV, Inc. (NMTV).

(b) To determine whether NMTV, Paul F. Crouch, TBN or its affiliates or principals abused the Commission's processes by using NMTV to evade the provisions of Section 73.3555(e) of the Commission's Rules and/or by using NMTV to improperly claim minority preferences in LPTV applications.

(c) To determine, in light of the evidence adduced pursuant to issues (a) and (b), whether Trinity Broadcasting of Florida, Inc., is qualified to remain a Commission licensee.

(d) To determine, in light of the evidence adduced pursuant to the foregoing issues, which of the applications should be granted.

3. The HDO, at ¶ 51, made Trinity Christian Center of Santa Ana, Inc. d/b/a Trinity Broadcasting Network ("TBN"), National Minority TV, Inc. ("NMTV"), and Spanish

American League Against Discrimination ("SALAD")¹ parties in this proceeding. The HDO, at ¶ 54, placed the burden of proceeding with the introduction of evidence as to issues (a) through (c) on Glendale and SALAD, and the burden of proof as to issues (a) through (c) on TBF, TBN, and NMTV.

4. Additionally, the HDO, at ¶ 52, ordered the Presiding Judge to determine, irrespective of whether the hearing record warrants on Order denying the renewal application for WHFT(TV), whether, pursuant to Section 503(b) of the Communications Act of 1934, as amended, an Order for Forfeiture in an amount not to exceed \$250,000 should be issued against TBF, TBN, and/or NMTV for willful and/or repeated violations of Section 310(d) of the Communications Act of 1934, as amended, and/or Section 73.3555(e) of the Commission's Rules, which occurred or continued within the applicable statute of limitations.

5. By Memorandum Opinion and Order, FCC 93M-469 (released July 15, 1993), the Presiding Judge added the following issue against Glendale:

To determine whether Raystay Company made misrepresentations or lacked candor in low power television applications for extensions of broadcast construction permits and, if so, the effect thereof on Glendale Broadcasting Company's qualifications to be a licensee.

The Presiding Judge placed the burden of proceeding with the introduction of evidence and the burden of proof as to this added issue on TBF.

¹ SALAD filed a Petition to Deny TBF's application for renewal of license of WHFT(TV). See, HDO, at ¶¶ 2 and 41-43.

6. By Memorandum Opinion and Order, FCC 93M-631 (released October 4, 1993),

the Presiding Judge added another issue against Glendale:

To determine whether Raystay Company made misrepresentations or lacked candor in its application to assign the construction permit of low power television station W23AY, Red Lion/York, Pennsylvania (BAPTTL-920114IB), and, if so, the effect thereof on Glendale Broadcasting Company's qualifications to be a licensee.

The Presiding Judge placed the burden of proceeding with the introduction of evidence and the burden of proof as to this added issue on Glendale.

7. Hearing sessions were held in Washington, D.C., from November 29, 1993, through December 22, 1993; from January 10, 1994, through January 27, 1994; and from May 3, 1994, through May 5, 1994. The record was closed on May 5, 1994. Order, FCC 94M-326 (released May 9, 1994); Tr. 5739-40.

III. Proposed Findings of Fact

A. Trinity Issues

1. De Facto Control and Abuse of Process

Background

8. Paul Crouch ("Crouch") incorporated TBN in 1973 as a nonprofit, non-stock California corporation. Prior to founding TBN, Crouch worked for several years at various management level positions at television and radio stations. TBF Ex. 104, pp. 2-3. TBN's principal purpose was and is to spread the Christian gospel by providing religious programming to broadcast stations and cable television systems. TBN has been operating a 24-hour per day television program service since the late 1970s. TBF Ex. 104, p. 5; Tr. 2458.

9. Since TBN's inception, Crouch and Norman Juggert ("Juggert") have served as two of TBN's officers and directors. Crouch has always held the office of president and has always served as TBN's chief executive officer and chairman of its board of directors. Juggert, an attorney licensed to practice law in California, has always been TBN's principal corporate counsel. MMB Ex. 17, pp. 11, 14; TBF Ex. 104, p. 1; TBF Ex. 108, p. 1.

10. TBN acquired its first television station, now known as KTBN-TV, Santa Ana, California, in August 1974. TBF Ex. 104, p. 4. In 1975, Crouch formed Trinity Broadcasting of Arizona, Inc. ("TBA") to operate what became KPAZ-TV, Phoenix. MMB Ex. 415. In 1977, Crouch formed Trinity Broadcasting of Oklahoma City, Inc. ("TBOC") to operate what became KTBO-TV, Oklahoma City. Tr. 3826-7. In 1979, Crouch formed TBF. MMB Ex. 416; TBF Ex. 36, Tab A. Crouch named himself president of each company. Crouch and Juggert have, for the most part, served as two of the directors of TBA, TBOC and TBF. Juggert has maintained the corporations' minute books for the majority of their existence. Other than locally produced programs, the TBA, TBOC and TBF stations have always broadcast TBN programming. Tr. 3802-3, 3821, 3826-31, 3839-40.

11. To fund the acquisition of their respective stations, TBA, TBOC and TBF received interest-free loans from TBN. The loans were not evidenced by any notes or security agreements. Rather, the loans were merely reflected in the companies' joint accounting and financial statements. MMB Ex. 2, p. 2; MMB Ex. 3; Tr. 2476-7, 3805-7, 3833, 3845-9. TBA, TBOC and TBF repaid TBN as their stations became operational and began receiving contributions. TBN's accounting department determined how much of the overall contributions that were received should be allocated to debt reduction and how much should be retained by each of the licensee corporations. Tr. 3808-9, 3834-5.

12. At the time of their formation and at various points in their history, TBA, TBOC and TBF have had "outside" directors on their respective governing boards; that is, individuals who were not directors of TBN. Nevertheless, Crouch has always viewed TBA, TBOC and TBF as owned and operated companies of TBN. MMB Ex. 25; MMB Ex. 39; MMB Ex. 55, p. 1; MMB Ex. 104, p. 4; MMB Ex. 127, p. 4; Tr. 2426-9, 2530, 3835, 3849. Consequently, TBN has always counted the TBA, TBOC and TBF full power broadcast television stations as TBN stations in assessing compliance with the Commission's multiple ownership rules. MMB Ex. 56, p. 4; MMB Ex. 104, pp. 1, 4; MMB Ex. 129, pp. 32-3; MMB Ex. 174, pp. 11-2.

13. In the summer of 1979, Pearl Jane Duff ("Duff") joined TBN as a volunteer. Shortly thereafter, Crouch hired her to be TBN's public affairs director. At about the same time that Crouch made Duff a paid employee of TBN, he selected her to fill a TBN board vacancy. Consequently, Duff became the third board member (along with Crouch and Juggert) of TBN as well as a TBN assistant secretary. Duff had no prior experience as an officer or board member of a non-profit entity. TBF Ex. 101, p. 22; Glendale Ex. 212; Tr. 1550-3, 2472, 3784. Crouch attributes his hiring of Duff, an African-American, and her swift accession to TBN's board to his effort to integrate minorities into the management of TBN. TBF Ex. 104, pp. 8-9. At the time Duff became a director of TBN, she did not become a director of TBA or TBOC. MMB Ex. 17, pp. 9-10. However, early in 1980, shortly after TBF's formation, Crouch chose Duff to replace Terrence Hickey, another TBN employee, as a TBF director. Tr. 3842-3. By September 1980, Duff had become TBN's

vice president and an ordained minister of TBN. MMB Ex. 2, p. 1; MMB Ex. 4; Tr. 2433, 2474.

14. On November 28, 1979, TBN's board amended its bylaws in order to protect Crouch's position as president of the corporation and as a member of TBN's board of directors.² As a result, Crouch could now be removed from office and from the board only if it were determined that he committed specified acts of malfeasance. Further, he had the right to formally contest any effort to remove him from office and the board. Other board members could still be removed by simple majority vote, with or without cause. TBF Ex. 104, p. 11 and Tab C, pp. 8-23. On November 28, 1979, TBOC's bylaws were also amended to protect Crouch. Likewise, TBF's original bylaws contained provisions to protect Crouch's role as president. MMB/TBF Jt. Ex. 1. Although Juggert claims that it was intended that TBA's bylaws were to be amended so as to provide protection for Crouch, they were not so amended until July 30, 1984. MMB/TBF Jt. Ex. 1, p. 2; Tr. 3815. Moreover, although the bylaws of some of the other Trinity-named corporations which hold full power television licenses included or were amended to include provisions designed to protect Crouch from arbitrary removal from office and board membership, the bylaws of others never included the protective language.³ MMB Ex. 127, p. 4; MMB/TBF Jt. Ex. 1.

² At various points in TBN's history, board members other than Juggert and Duff had tried to wrest control of TBN from Crouch. Tr. 3800-2.

³ These corporations include: Trinity Broadcasting of New York, Inc. ("TBNY"); Trinity Broadcasting of Indiana, Inc. ("TBI"); Trinity Broadcasting of Washington ("TBW"); and Trinity Broadcasting of Texas ("TBT"). MMB/TBF Jt. Ex. 1.

Translator T.V., Inc.'s Formation

15. On September 9, 1980, the Commission adopted a Notice of Proposed Rulemaking ("NPRM") in BC Docket 78-253, which pertained to an inquiry into the future role of low power television and television translator stations. Low Power Television Broadcasting, 82 FCC 2d 47 (1980). Among other things, the NPRM contemplated giving a preference to low power television and translator applicants under minority ownership and control greater than 50%. In addition, a preference would accrue to applicants who first filed a complete and sufficient application for any given market. Low Power Television Broadcasting, 82 FCC 2d at 75.

16. On September 11, 1980, two days after the NPRM was adopted, TBN's board of directors held a special meeting. Among other things, the TBN board discussed the proposed changes in the Commission's rules concerning translators. MMB Ex. 5. Following this discussion, Crouch conceived the formation of a new corporation to develop a network of translators that would receive TBN programming via satellite and broadcast it to areas previously unserved by TBN. Crouch understood that the Commission proposed giving a preference to minority-owned applicants. Consequently, he chose Duff to join him on the new corporation's board, and he sought her assistance in locating another minority to serve as the third board member. TBF Ex. 101, pp. 23-4; TBF Ex. 104, pp. 2, 9; Tr. 2479-80, 3855.

17. Initially, Duff approached Armando Ramirez ("Ramirez"), a TBN program host and pastor of an area church. However, Ramirez was deemed unqualified to serve because he was not then a United States citizen. TBF Ex. 101, pp. 23-4. Crouch then asked Phillip David Espinoza ("Espinoza"), another TBN program host⁴ and area pastor, to join him and Duff. TBF Ex. 104, p. 9; TBF Ex. 106, p. 3; Tr. 2305-6, 2481-2. Espinoza accepted, although he made clear to Crouch that his first priority was his church. Tr. 4173.

18. From his conversation with Crouch, Espinoza understood that, among other things, he had been asked to join the board of the new corporation because he was Hispanic. Tr. 4140. Espinoza was told by Duff that the corporation would be filing applications for low power television stations in order to preach the gospel. Espinoza understood that the stations would broadcast primarily TBN programming. TBF Ex. 106, pp. 3-4; Tr. 4142, 4307. He also understood that TBN would loan money to the new corporation. However, he did not recall any details concerning the proposed loan. Tr. 4149-50. Espinoza knew Duff was a TBN executive. Tr. 4147.

19. On September 15, 1980, Crouch signed the articles of incorporation for Translator T.V., Inc. ("TTI"). MMB Ex. 7; Tr. 2303. While Juggert contends he prepared

⁴ Since 1976, Espinoza had produced on TBN a Spanish-language program, "Felicidad." To produce the program, Espinoza would travel once a month to TBN's studios. Initially, Espinoza solicited for funds during his program in order to pay his costs. Later, Espinoza asked TBN to cover his production costs. In exchange, TBN would keep any money sent to it for Espinoza's program. TBN never directly compensated Espinoza for his program. Occasionally, Espinoza also appeared as a guest on other TBN programs. TBF Ex. 106, pp. 2-3; Tr. 4128-30, 4135-7.

the articles at Duff's request, Crouch acknowledges that he asked Juggert to draft the articles. TBN Ex. 108, p. 2; Tr. 2483. Like TBN, TTI was organized as a nonprofit, non-stock California corporation. TBF Ex. 104, p. 3; MMB Ex. 7; Tr. 3761-2. TTI's articles reflect religious purposes which, in Crouch's view, are very similar to those of TBN; namely, to preach the gospel. Tr. 2304-5. Although it would have been permissible to so state, TTI's articles did not provide that the corporation was to be minority owned or controlled, and Crouch gave Juggert no instructions to draft any special provisions for the corporation in that regard. Tr. 3881-5. The issue of minority control was not discussed with Gammon and Grange, TBN's FCC counsel, and Juggert did not request any information from the law firm on that point. MMB Ex. 6; Tr. 3988-9. TTI was incorporated on September 16, 1980. MMB Ex. 7.

20. On September 19, 1980, Crouch appointed himself, Duff and Espinoza as TTI's first directors. MMB Ex. 8; Tr. 3674. Thereafter, TTI held its first board meeting, attended only by Crouch and Duff. Crouch and Duff adopted Juggert's bylaws and elected Crouch as president, Duff as vice president and secretary, and Espinoza as chief financial officer. MMB Ex. 10. No one discussed with Espinoza his duties as chief financial officer. Tr. 2490, 3885-6. Consistent with his past practice of making himself president of organizations he founded, Crouch made himself president of TTI. Crouch maintains he became president of TTI because TBN would be providing money to the new company. MMB Ex. 415; MMB Ex. 416; Tr. 2490-1. Crouch and Duff also passed a resolution designating the same bank that TBN used as TTI's bank. MMB Ex. 10. However, no bank

account was opened for TTI. Jt. Ex. 1, p. 3; Tr. 1582-3. Crouch and Duff voted to authorize TTI to apply for construction permits for new low power television stations and to acquire low power television stations. MMB Ex. 11; Tr. 2503-4. They took no action to empower TTI to apply for new, or to acquire existing, full power broadcast stations. Tr. 3893. Espinoza consented to all of the actions taken at TTI's first board meeting. TBF 106, p. 4.

21. TTI's bylaws specify an address for TTI's principal place of business which is the same address as TBN's principal place of business. Tr. 1575. The bylaws also provide that TTI should have between three and ten directors. Each director's term of office is three years. The bylaws state that the principal corporate officers -- president, secretary and chief financial officer -- are chosen by the board and serve at the pleasure of the board while subordinate officers may be appointed by the president. TTI's bylaws do not include any provisions protecting the person holding the office of president from arbitrary removal from office or from the corporation's board of directors. MMB Ex. 9; TBF Ex. 101, pp. 7-9. Crouch claims that because TBN's purpose was merely to sponsor the new corporation, there was no need to include provisions to protect his role as president. TBF Ex. 104, pp. 11-2. However, Crouch does not remember giving Juggert any special instructions regarding TTI's bylaws. Tr. 2484-8. Likewise, Juggert does not know whether the reason TTI's bylaws omitted the provisions appearing in TBN's bylaws which protect Crouch's board membership and his role as president was because Crouch made a conscious decision to do so. Tr. 3861-2. The bylaws do not include any provisions requiring that TTI be minority owned or

controlled. MMB Ex. 9.

22. In addition to drafting the articles and bylaws, Juggert prepared, and Crouch signed a federal income tax exemption application for TTI. Therein, TTI informed the Internal Revenue Service ("IRS") that TTI's purpose was to provide Christian television programs over UHF channels throughout the United States. TTI represented to the IRS that two of its three directors were also directors of TBN and TBF but that TTI was not under the control of any other organization.⁵ MMB Ex. 13; TBF Ex. 108, p. 2; Tr. 2506, 3679-80. TTI's response to the IRS concerning whether or not TTI was controlled by another entity was based on the absence of a written agreement giving TBN control over the board or decisions of TTI. Tr. 3681. After responding to several IRS requests for further information, TTI received tax exempt status in August 1981. MMB Ex. 35; MMB Ex. 36; MMB Ex. 37; Glendale Ex. 12; Glendale Ex. 13; Jt. Ex. 1, p. 2.

⁵ In their federal income tax exemption applications, TBA and TBF had likewise advised the IRS of their relationship with TBN but nevertheless contended that they were not under the control of any other organization. MMB Ex. 415; MMB Ex. 416. Nevertheless, Crouch recognizes that TBA and TBF (as well as TBOC, TBI, TBNY, TBW and TBT) are owned and operated companies of TBN for all practical purposes. TBF Ex. 104, p. 4. Further, while Crouch claims it was never his thought to control TTI, he recognizes that control can be exercised through common directors. Finally, Crouch concedes that, given the similarity of the TBN and TTI boards of directors at the time of TTI's formation, TTI was every bit as much an owned and operated company of TBN as TBA. TBF Ex. 104, pp. 11-2; Tr. 2426-34, 3015.

TTI's Early Activities and Board Meetings

23. Between November 6, 1980, and January 6, 1981, TTI filed 17 applications with the Commission for construction permits for new television translator stations.⁶ Contemporaneously, TBN, through its wholly-owned subsidiary International Panorama TV, Inc., and other TBN owned and operated companies, filed six more applications for new translator stations. MMB Ex. 28, pp. 8-9. TBN advised its supporters of all of the filings in various "Praise the Lord" newsletters, which TBN mailed on a monthly basis. MMB Ex. 25, p. 1; MMB Ex. 39, p. 1; MMB Ex. 40, p. 1; Tr. 2540-2. In April 1981, the Commission imposed a general "freeze" on accepting new translator applications and processing those already on file. MMB Ex. 34; TBF Ex. 101, pp. 25-7; Jt. Ex. p. 2. Consequently, no further action was taken with respect to any TTI translator application until late 1983. MMB Ex. 55, p. 2.

24. The TTI and TBN translator applications were basically prepared by the same TBN personnel and TBN-hired consultants. Tr. 1590-4, 1596, 2512, 3269. All of the TTI applications relied on TBN for funding. MMB Ex. 28, pp. 8-9. Although they acknowledged that TTI and TBN shared two common officers and directors, the TTI

⁶ None of TTI's applications was for a low power station. In other words, TTI initially proposed simply to rebroadcast KTBN-TV, TBN's flagship station, and not to produce its own programming. MMB Ex. 27.